2 TSX Stocks to Buy in 2023 — and 1 to Avoid!

Description

TSX stocks are great assets to put your money in in 2023. This year, experts expect a continuation of the interest rate hiking that began last year. The kinds of stocks that perform well in this environment are called "value stocks," and the TSX has a lot of them. Basically, the more modestly valued an asset is, the more it can withstand the effects of high interest rates. Interest rates reduce the value of future growth, so cheaper, slower growing, more profitable assets perform better when interest rates go up.

In this article, I will explore two TSX stocks that are worth buying in 2023 and one that must be avoided at all costs.

Buy: Brookfield

Brookfield (TSX:BN) is a Canadian financial services company. It recently spun off its asset management business, **Brookfield Asset Management** (TSX:BAM). Both Brookfield and BAM are great stocks, but I prefer Brookfield somewhat. With Brookfield, you get a significant ownership interest in BAM, which basically manages people's money in exchange for fees, plus direct ownership in other assets Brookfield owns.

Basically, Brookfield is the more diversified business, which makes it somewhat less risky. Also, it pays a dividend, so it can increase the passive income that you collect in your Tax-Free Savings Account and Registered Retirement Savings Plan.

Buy: Royal Bank

Royal Bank of Canada (TSX:RY) is a Canadian bank. I like bank stocks in general, and Royal Bank of Canada is among the biggest and most resilient of the bunch. The bank is more than 150 years old, and it has paid dividends for more than 100 consecutive years.

Last year, it had some problems (declining growth) at its capital markets business, but its core lending operations saw strong results. As long as the economy continues growing this year, then Royal Bank should do pretty well overall.

By the way, the stock pays a dividend, and the yield is over 4%, so RY can add a lot of income to your portfolio.

Avoid: Canopy Growth

Canopy Growth (TSX:WEED) is a Canadian cannabis stock that has been getting beaten down continuously since 2018. The stock generated a lot of hype in the lead up to Canadian legalization, which occurred that year. The problem was that the stock got very expensive.

After legalization occurred, Canopy did see a big revenue jump, as expected. The problem was that a lot of Canopy's acquisitions proved worthless and got written down, while its costs grew faster than revenue. Once these facts became clear, cannabis stocks like Canopy began falling and never recovered. In its most recent quarter, Canopy lost $221 million, so its issues remain.

One problem with cannabis companies is that there are so many of them. They all compete with each other and with black market dealers, who are still around. After a few of these companies go out of business, then the space may become less competitive and more lucrative for investors. When there are fewer companies in a market, the companies enjoy more pricing power.

You might argue that in the future, one of today's cannabis producers will finally become profitable, but I see no reason to bet that Canopy will be the one.

CATEGORY

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TICKERS GLOBAL

1. TSX:BAM (Brookfield Asset Management)
2. TSX:BN (Brookfield)
3. TSX:RY (Royal Bank of Canada)
4. TSX:WEED (Canopy Growth)

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